



# 2014 Schedule UB/NLD Instructions

For Illinois net losses arising in tax years ending on or after December 31, 1986.

## General Information

### What is new for 2014?

- This schedule has been redesigned for the tax year ending December 31, 2014. If you are filing Schedule UB/NLD for tax years ending before December 31, 2014, you cannot use this schedule. For prior years, use the schedule for that year.
- If a member has acquired an Illinois net loss of another taxpayer, you must now include the date of acquisition along with the other information required when reporting an acquisition of loss. See "What must I attach?" for more information.

### When must I use this schedule?

You must use this schedule to claim an Illinois net loss carryforward deduction on an original or amended combined Illinois income tax return filed by a unitary business group for tax years ending on or after December 31, 2014.

**Note** Do not complete this schedule if you have an Illinois net loss this year before subtracting any Illinois net loss carryovers.

### What is the purpose of this schedule?

The purpose of the Schedule UB/NLD is to calculate

- the total amount of unitary Illinois net loss available for deduction on a combined return by a unitary business group in a year;
- the amount deducted on the combined return; and
- the amount of any loss allocable to each member of the unitary business group and available to carry over to any separate return filed by that member for a later tax year or to the combined return of any unitary business group that member might join in a later year.

Because earlier versions of the Schedule UB/NLD did not allocate unused losses among members of a unitary business group, whenever a member leaves a unitary business group that has unused Illinois net losses, that member and the combined unitary business group that member belonged to may need to complete a pro forma Schedule UB/NLD (revision date 12/05 or later, but prior to December 31, 2011) for earlier years. This determines how much of the unused loss may be carried forward by the departed member and how much remains with the combined group.

### What are the limitations of the Illinois NLD?

When determining the years to which a loss can be carried forward, do not count

- the taxable years for which the deduction was disallowed by law (tax years ending after December 31, 2010 and before December 31, 2012);
- the taxable years for which the deduction would exceed \$100,000 if not for the NLD limitation (tax years ending on or after December 31, 2012 and before December 31, 2014).

Illinois net losses incurred in tax years **ending on or after December 31, 2003**, may be carried forward up to 12 taxable years. No carryback is allowed.

For tax years **ending on or after December 31, 1999**, and **before December 31, 2003**, all Illinois net losses were required to be carried back two years, then forward 20, unless an election was made to **only** carry the loss forward. The election to carry a loss forward only was made by checking the appropriate box on the original or amended loss-year return, whichever showed the loss first. Once the election was made to forgo the Illinois carryback provision, the election was irrevocable.

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Losses incurred in tax years **ending before December 31, 1999**, could be carried back and carried forward for the periods allowed under Internal Revenue Code (IRC) Section 172, for the tax year in which the loss was incurred. In general, losses incurred in tax years ending

- after August 5, 1997, and ending before December 31, 1999, must be carried back two years, then forward 20 years.
- on or before August 5, 1997, must be carried back three years, then forward 15 years.

In addition, the special carryover periods in IRC Section 172, as in effect for a particular tax year, would apply to losses incurred in that year. For example, a "specified liability loss" incurred in 1998 may be carried back 10 years under IRC Section 172(b)(1)(c).

Also, no limitations under IRC Section 382 or the separate return limitation year provisions of the federal consolidated return regulations apply to any NLD carryover.

**Note** If any of the members of your group had discharge of indebtedness income excluded from their federal gross income for any taxable year ending on or after December 31, 2008, and as a result the member was required to reduce a federal net operating loss carryover, you may be required to reduce the Illinois net loss carryovers of that member in calculating your combined net loss deduction. See the note in the instructions for Line 4. Also, if you incurred a combined Illinois net loss for a taxable year in which one or more of your group members had excluded discharge of indebtedness income, you may have been required to reduce the combined Illinois net loss you incurred for that year. This reduction is made on the Illinois income tax return you filed for the loss year. See the appropriate return instructions for your loss year.

### What if the membership of my unitary business group has changed since an Illinois net loss was incurred?

If a member has joined the group, any unused Illinois net loss incurred by that member before joining the group may be used by the group in the year the member joined and in subsequent years, up to the maximum number of years (counting both years prior to joining and years subsequent to joining) to which the loss could be carried. Illinois does not follow IRC Section 382 or have any "separate return limitation year" rules.

If a member has left your group since the group incurred an Illinois net loss, any loss allocable to that member that was not used before the member left may be used only by that member or by any unitary business group that it joined after leaving your group. For tax years ending before December 31, 2005, you may need to complete a pro forma Schedule UB, Step 4 (revision date 12/06 or later), for the loss year using a version of Schedule UB/NLD (revision date 12/05 or later, but prior to 12/11) for each carryover year to determine how much of the loss was used before the member left the group.

If a member has acquired an Illinois net loss of another taxpayer under IRC Section 381 (whether or not the other taxpayer was ever a member of your group), that member is entitled to carry forward any unused loss it acquired to the year of the acquisition and to subsequent years, up to the maximum number of years to which the loss could be carried. Attach a separate schedule to your return showing the name and taxpayer identification number of your member that acquired a loss being claimed on this Schedule UB/NLD, the name and taxpayer identification number from whom the loss was acquired, the date of the acquisition, the tax year in which the loss was incurred, and the amount of unused loss acquired.

## What must I attach?

You **must** attach copies of any Schedule UB pro formas, as required in these instructions, or audit reports reflecting the loss amounts that you are claiming on this schedule. If one of your members has acquired an Illinois net loss incurred by another taxpayer, you must also attach a schedule showing the name and taxpayer identification number of your member that acquired a loss being claimed on this Schedule UB/NLD, the name and taxpayer identification number of the taxpayer from whom the loss was acquired, the date of the acquisition, the tax year in which the loss was incurred, and the amount of unused loss acquired. Failure to do so will result in processing delays.

## What if I need additional assistance?

*If you need additional assistance,*

- visit our website at **tax.illinois.gov**;
- call our Taxpayer Assistance Division at **1 800 732-8866** or **217 782-3336**;
- call our TDD (telecommunications device for the deaf) at **1 800 544-5304**; or
- write to us at **P.O. Box 19044, Springfield, Illinois 62794-9044**.

Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

## Specific Instructions

**Note** If a specific line is not referenced, follow the instructions on the form.

### Step 1: Identify your members

**Note** Do not include any taxpayer that was not a member of your combined group at any time during the current tax year, even if it was a member of your combined group during a loss year.

**Line 1** — In each Column A, B, C, and D, enter the name of each member of your combined group that is carrying a loss into the current tax year.

**Line 2** — In each Column A, B, C, and D, enter the FEIN of each member you entered on Line 1 in the appropriate column.

Attach additional copies of this schedule if there are more than four members.

If any of these losses were incurred by another entity that later was acquired by a member of your group, enter the group member's name and FEIN here and attach the schedule described in the General Instructions for "What must I attach?"

**Note** Do not include corporations taxed in the current year as S corporations. Each S corporation must claim its losses on a Schedule NLD attached to its separate Form IL-1120-ST. However, if your combined group includes a member that was an S corporation in prior years but is no longer an S corporation, you may carry unused losses from its S corporation years into this tax year in the same manner as any other corporation's loss.

**Note** Do not include partnerships. Each partnership must claim its losses on a Schedule NLD attached to its separate Form IL-1065.

### Step 2: Figure your loss year amounts

**Line 3** — Enter the tax year that you incurred an Illinois net loss that is available for carryforward to this year and is the loss that will expire first.

**Line 4** — In Column E, Combined Totals, enter the total amount of combined net income of your combined group from Step 4, Line 10, of the **current tax year's** Schedule UB.

If losses for more than four years are carried into this tax year, attach an additional Schedule UB/NLD and enter in Step 2, Column E, Line 4, the amount from Step 2, Column E, Line 24, of this Schedule UB/NLD. Repeat this process until all losses are used or until taxable income in Column E is reduced to zero.

**Note** **Discharge of Indebtedness Income** — If any of the members of your group had discharge of indebtedness income excluded from their federal gross income for any taxable year ending on or after December 31, 2008, and as a result the member was required to reduce a federal net operating loss carryover available to carry into this year, you must reduce your combined Illinois NLD available to carry into this year. Use the worksheet on Page 3 to calculate the amount of reduction. Prepare a separate worksheet for each member of your group with excluded discharge of indebtedness income. If one or more of your combined group members is included on a federal consolidated income tax return for federal income tax purposes, the amount of the reduction to the federal net operating loss carryovers of that member is the amount of the net operating loss carryovers attributable to that member that are reduced under IRC Section 108(b), and Treasury Regulations Section 1.1502-28. For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

**Line 5** — In Columns A through D, enter the amount of any loss that was incurred by the member in the tax year on Line 3, and that has not been used in a prior year, and enter the total amount in Column E.

For tax years ending before December 31, 2005, you may need to complete a pro forma Schedule UB (revision date 12/06 or later) for the tax year to determine the loss incurred by each member of a group in that year, and a pro forma Schedule UB/NLD (revision date 12/05 or later, but prior to December 31, 2011) for each subsequent year, to determine how much of the loss each member has used in those years.

**Line 6** — In Column E, subtract Line 5 from Line 4. If negative, enter the amount in parentheses.

**Line 7** — If the amount in Column E, Line 6 is zero or positive, enter zero here in Columns A through E.

If the amount in Column E, Line 6 is negative, in each Column A through D, enter the amount from that column on Line 5, divided by the amount in Column E, Line 5. Carry to six decimal places. In Column E, enter "1."

**Line 8** — If the amount in Column E, Line 6 is

- **positive**, leave this line blank. If you have more losses to deduct, go to Line 9.
- **negative**, enter in Columns A through D, the amount in Column E of Line 6, multiplied by the percentage in Line 7 of the same column, and enter zero in Column E, Line 10.  
The amount shown in each column is the Illinois net loss of the member that is available to carry to that member's Illinois income tax return for the next tax year.
- **zero**, enter zero in Column E, Line 10.

**Note** If you have more losses to deduct, go to Line 9. If you have no more losses to deduct, go to Step 3.

### Lines 9 through 14, 15 through 20, and 21 through 26

— Complete an entire set (Lines 9 through 14, 15 through 20, etc.) for each taxable year in which a loss was incurred that has not previously been used. If losses for more than four years are carried into this tax year, attach an additional Schedule UB/NLD and enter in Step 2, Column E, Line 4 the amount from Step 2, Column E, Line 24 of this Schedule UB/NLD. Repeat this process until all losses are used or until taxable income in Column E is reduced to zero or a negative amount.

**Line(s) 9, 15, and 21** — Enter the tax year in which a member incurred an Illinois net loss that is available for carryforward and that is the loss that will expire next.

**Line(s) 10, 16, and 22** — In Column E, enter the total amount of base income of your unitary business group from Column E, Line 6 (12 or 18, as applicable). If the amount is negative, enter zero.

**Line(s) 11, 17, and 23** — Enter the amounts in Columns A through D of any loss that was incurred by the member of your group in the tax year on Line 9 (15 or 21, as applicable) that has not been used, and enter the total amount in Column E.

**Line(s) 12, 18, and 24** — Subtract Column E, Line 11 (17 or 23, as applicable) from Line 10 (16 or 22, as applicable). If the result is negative, enter the amount in parentheses.

**Line(s) 13, 19, and 25** — If the amount in Column E, Line 12 (18 or 24, as applicable) is zero or positive, enter zero. If that amount is negative, divide the amount in Columns A through D, Line 11 (17 or 23, as applicable) by the amount in Column E, Line 11 (17 or 23, as applicable), and enter the results in Column A through D. Carry the result to six decimal places.

**Line(s) 14, 20, and 26** — If the amount in Column E of Line 12 (18 or 24, as applicable) is

- **positive**, leave this line blank and go to Line 15 (21 or to a new Schedule UB/NLD, as applicable).

**Note** — If you are completing the last set (Lines 21 through 26), and the amount in Column E, Line 24 is positive, and you have losses that have not been used, enter the amount from Column E, Line 24 on Column E, Line 4 of an additional Schedule UB/NLD, enter the year of the next loss that will expire on Line 3, and continue on that Schedule UB/NLD.

- **negative**, enter in Columns A through D, the amount in Column E of Line 12 (18 or 24, as applicable) multiplied by the percentage in Line 13 (19 or 25, as applicable) of the same column, and enter zero on Line 16 (22 or Line 4 of a new Schedule UB/NLD).

The amount shown in each column is the Illinois net loss of the member that is available to carry to that member's Illinois income tax return for the next tax year.

- **zero**, enter zero on Line 16 (22 or Line 4 of a new Schedule UB/NLD, as applicable).

If you have no more losses to deduct, go to Step 3.

### Step 3: Figure your total deduction and taxable income

**Line 27** — Enter the amount from Step 2, Column E, Line 4 here and on your form IL-1120, Step 5, Line 35. If you used more than one Schedule UB/NLD, enter the amount from the first page only. **Do not** add Line 4 of the multiple pages.

**Line 28** — Add the amounts from Step 2, Column E, Lines 5, 11, 17, and 23 and enter the total here. If you used more than one Schedule UB/NLD, add the amounts from each page, enter the total on Line 28 of the first Schedule UB/NLD, and complete Lines 29, 30, and 31 on the **first** Schedule UB/NLD only.

**Line 29** — If there is a negative amount in Column E, Lines 6, 12, 18, or 24 of any Schedule UB/NLD you completed for this return, enter the total of those amounts as a positive number here. Otherwise, enter zero.

**Line 30** — Subtract Line 29 from Line 28, and enter the result here, and on your Form IL-1120, Step 5, Line 38.

**Line 31** — Subtract Line 30 from Line 27, and enter the result here, and on your Form IL-1120, Step 5, Line 39. The amount on this line cannot be negative.

## Discharge of Indebtedness Worksheet and Instructions

Complete a separate worksheet for this year and for each prior year ending on or after December 31, 2008, in which any member of your combined group was required to reduce its federal net operating loss carryovers as the result of discharge of indebtedness income exclusion and for which you did not complete a Schedule UB/NLD reducing your combined Illinois NLD.

- 1 Enter the amount of the reduction to your federal net operating losses that were carried over to the tax year of the discharge. See federal Form 982.
- 2 Multiply the amount on Line 1 by your income allocation ratio.
- 3 Enter the total amount of Illinois net loss carryovers of all of your members from all loss years available to be carried to the taxable year of the discharge.
- 4 Enter the lesser of Line 2 or Line 3. This is the amount of your loss carryover reduction.

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2 \_\_\_\_\_  
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4 \_\_\_\_\_

**Line 1** — Add the total amount of reductions to each member's federal net operating loss carryovers to the tax year of the debt cancellation. If you had discharge of indebtedness income exclusion for which federal net operating carryovers were reduced in more than one tax year, enter the amount of the reduction for the earliest debt cancellation year for which no Schedule UB/NLD reducing your Illinois NLDs has been filed.

**Line 2** — Your income allocation ratio is calculated by dividing the amount of debt cancellation income excluded from your gross income that would have been allocated or apportioned to Illinois under the Illinois Income Tax Act (IITA) if it was not excluded by the total amount of debt cancellation income excluded from your gross income. If all of your debt cancellation income would have been business income, use the apportionment factor you calculated on the return for the tax year of the debt cancellation.

**Line 3** — Include the amount of any net loss of the member for a taxable year prior to the year of discharge that had not previously been carried back or forward and deducted. In determining this amount, if you had positive base income allocable to Illinois in the tax year of the debt cancellation, you may first use any net operating loss carryovers of the member available to be carried to that year as part of your Illinois NLD. Only the remaining unused loss carryovers to such year, if any, should be included on this line.

**Line 4** — Add the total of the worksheet Line 4 amounts for all tax years for which you completed this worksheet. Enter "ITA 207(c)" on Line 3, Column E, of your Schedule UB/NLD. Do not use a previous year's schedule (revision dates 12/12 and 12/13) as they include the \$100,000 NLD limitation and will not calculate your loss reduction correctly. Enter the total amount from Line 4 of all completed worksheets on Schedule UB/NLD, Line 4, and complete Lines 5 through 8, according to the instructions as if the amount on Line 4 were the Illinois net income before NLD for this year. If the amount on your Schedule UB/NLD, Line 4, exceeds the combined total on Line 5, Column E, enter that excess on Line 6, Column E, and continue until all Illinois NLDs carried into this tax year have been eliminated or until the total of the worksheet Line 4 amounts has been used to reduce your Illinois NLDs carried into this tax year.

If you still have Illinois NLDs remaining after applying all the worksheet Line 4 amounts, enter

- the amounts from Schedule UB/NLD, Line 8 (or from the corresponding line for the last loss year being reduced), on your Schedule UB/NLD, Line 11 (or corresponding line),
- the loss year for the earliest remaining loss from Schedule UB/NLD, on your Schedule UB/NLD, Line 9 (or corresponding line), and
- your combined net income before Illinois NLD on Line 10 (or corresponding line), and proceed with the Schedule UB/NLD following the instructions.

If all Illinois NLDs are eliminated by the discharge of indebtedness income, your Illinois NLD deduction for this tax year is zero. Page 3 of 3